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June 6, 1997

VIA HAND DELIVERY

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

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Federal Communications Commission
Office of Secretary

Re: Notice of Ex Parte Presentation in CC Docket Nos. 96-262, 94-1,
and 91-213 (Access Charge Reform)

Dear Mr. Caton:

Today, Catherine Sloan and Richard Whitt of WorldCom, Inc. met with staff from the Competitive Pricing Division of the Commission's Common Carrier Bureau, including Rich Lerner, Jeff Lanning, Aaron Goldschmidt, David Konuk, and Dana Bradford-Walton. The oral presentation concerned issues articulated in written comments filed by WorldCom in response to the Commission's Notice of Proposed Rulemaking, FCC 96-488 (released December 24, 1996), and issues raised by the Commission in its First Report and Order, FCC 97-158 (released May 16, 1997) in the above-captioned proceeding. We also distributed to staff a copy of the attached ex parte letter, which was originally filed with the Commission on May 2, 1997.

An original and one copy of this letter are hereby submitted to your office today pursuant to the requirements of revised Section 1.1206(b)(2) of the Commission's rules. Please contact the undersigned if you have any questions.

Respectfully submitted:

Richard S. Whitt
Director, Federal Affairs

cc: Rich Lerner
Jeff Lanning
Aaron Goldschmidt
David Konuk
Dana Bradford-Walton

Attachment

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May 2, 1997

James L. Casserly
Senior Legal Advisor to Commissioner Susan Ness
Federal Communications Commission
1919 M Street, N.W., Room 832
Washington, D.C. 20554

RE: CC Docket Nos. 96-262, 94-1, and 91-213
Access Charge Reform

Dear Mr. Casserly:

I am writing on behalf of WorldCom, Inc. to enclose, in response to your request, a table that compares the proposals regarding LEC pricing flexibility in the Notice of Proposed Rulemaking in this proceeding with the proposals advanced by WorldCom. I am also providing a copy of two tables regarding pricing flexibility that were included in WorldCom's initial comments. I am filing six copies of this notice with the Office of the Secretary.

Respectfully submitted,

David Sieradzki

David L. Sieradzki
Counsel for WorldCom, Inc.

Enclosures

cc: William F. Caton, Acting Secretary (with enclosures)

**TABLE: COMPARISON OF PRICING FLEXIBILITY MEASURES
PROPOSED IN THE ACCESS REFORM NOTICE AND IN WORLDCom's PLAN**

| Phase | Proposal in the Notice | WorldCom's Plan |
|--|---|--|
| Phase I: "Potential Competition" | <p><u>Triggering Conditions</u></p> <ul style="list-style-type: none"> • Unbundled network element prices based on geographically deaveraged, forward-looking economic costs -- and offered under pro-competitive terms and conditions. • Cost-based rates for local transport & termination. • Resale rates based on retail less avoided cost. • Network elements and services provisioned rapidly and effectively. • Dialing parity, number portability, access to rights of way, and open and non-discriminatory network standards and protocols. <p><u>Regulatory Changes</u></p> <ul style="list-style-type: none"> • Geographic deaveraging of carrier access charges. • Volume discounts and term discounts. • Contract tariffs and individual RFP responses. • Streamlined regulation of new services. | <p><u>Triggering Conditions -- Same as Notice Plus the Following:</u></p> <ul style="list-style-type: none"> • Full implementation of competitively neutral universal service mechanisms (moved from Phase II to Phase I). • Credible, timely enforcement of pro-competitive rules (moved from Phase II to Phase I). • TIC eliminated. • Cost-based, non-discriminatory non-recurring charges. <p><u>Regulatory Changes</u></p> <ul style="list-style-type: none"> • Geographic deaveraging of SLC, as well as carrier access charges, permitted. • Differential pricing of carrier access services for traffic that originates from or terminates to residential, single-line business, or multi-line business customers (moved from Phase II to Phase I). • No volume discounts, contract tariffs, or individual RFP responses (except to extent already allowed). • Term discounts up to 3 years, but not longer. • Streamlined regulation of new services that cannot be substituted for existing services, but <u>not</u> for those that can be substituted for existing services. |
| Phase II: Notice: "Actual Competition" WorldCom: "Substantial Competition" | <p><u>Triggering Conditions</u></p> <ul style="list-style-type: none"> • Demonstrated presence of competition (measured on a service by service basis). • Full implementation of competitively neutral universal service mechanisms. • Credible, timely enforcement of pro-competitive rules. <p><u>Regulatory Changes</u></p> <ul style="list-style-type: none"> • Elimination of separate baskets, service categories, and rate structure rules for trunking and local switching. • Differential pricing of carrier access services for traffic that originates from or terminates to residential, 1-line business, and multi-line business. | <p><u>Triggering Conditions -- Phase I Conditions Plus:</u></p> <ul style="list-style-type: none"> • Local market conditions comparable to those that the Commission found before streamlining AT&T's regulation in 1991, and Herfindahl-Hirshman Index level for the particular local market that is at least as low as that in the long-distance service markets for which AT&T's regulation was streamlined in 1991. <p><u>Regulatory Changes -- Phase I Changes Plus:</u></p> <ul style="list-style-type: none"> • Volume discounts. • Term discounts for any length term. • Contract tariffs and competitive response tariffs. • Streamlined regulation of "new" services that can be substituted for existing services. |
| Absence of Potential Competition | No proposal. | <p><u>Triggering Condition</u></p> <ul style="list-style-type: none"> • Conditions for Phase I not satisfied by Jan. 1, 1999. <p><u>Regulatory Changes</u></p> <ul style="list-style-type: none"> • Prescription of all access charges to forward-looking economic cost. |

**TABLE 1: SUMMARY OF WORLDCOM'S PROPOSED
ACCESS CHARGE REFORM TRANSITION PLAN
BASED ON THE TWO-PHASED APPROACH DESCRIBED IN THE NOTICE**

| Phase of Competitive Development | Triggering Conditions | Regulatory Changes |
|--|---|--|
| Baseline | None. | <ul style="list-style-type: none"> • Baseline rate structure changes. • Prescriptive rate level changes for tandem switching, terminating local switching, and local switch port charges. • Eliminate the TIC (or rapidly phase it out). |
| Phase I: "Potential Competition" | <ul style="list-style-type: none"> • Unbundled network element prices based on geographically deaveraged, forward-looking economic costs -- and offered under pro-competitive terms and conditions. • Cost-based rates for local transport & termination. • Resale rates based on retail less avoided cost. • Network elements and services provisioned rapidly and effectively. • Dialing parity, number portability, access to rights of way, and open and non-discriminatory network standards and protocols. • Full implementation of competitively neutral universal service mechanisms and TIC eliminated. • Credible and timely enforcement of pro-competitive rules. • Cost-based and non-discriminatory non-recurring charges. | <ul style="list-style-type: none"> • Geographic deaveraging of carrier access charges and SLC. • Term discounts (up to 3 years). • Streamlined regulation of new services if cannot be substituted for existing services. • Differential pricing of carrier access services for traffic that originates from or terminates to residential, single-line business, or multi-line business customers. |
| Phase II: "Substantial Competition" | <ul style="list-style-type: none"> • General market conditions that the Commission found before streamlining AT&T's regulation in 1991. • Herfindahl-Hirschman Index level for the particular local market that is at least as low as that in the long-distance service markets for which AT&T's regulation was streamlined in 1991. | <ul style="list-style-type: none"> • Volume discounts. • Term discounts for any length term. • Contract tariffs and competitive response tariffs. • Streamlined regulation of "new" services that can be substituted for existing services. • Elimination of separate baskets, service categories, and rate structure rules for trunking and local switching. |
| Absence of Potential Competition | <ul style="list-style-type: none"> • Conditions for Phase I not satisfied by Jan. 1, 1999. | <ul style="list-style-type: none"> • Prescription of all access charges at forward-looking economic cost. |

**TABLE 2: AN EXAMPLE OF AN ALTERNATIVE
ACCESS CHARGE REFORM TRANSITION PLAN
USING MORE THAN TWO PHASES**

| Phase of Competitive Development | Triggering Conditions | Regulatory Changes |
|---|--|--|
| Baseline | None. | <ul style="list-style-type: none"> • Baseline rate structure changes. • Prescriptive rate level changes for tandem switching, terminating local switching, and local switch port charges. • Eliminate the TIC (or rapidly phase it out). |
| Phase I: "Potential Competition" | <ul style="list-style-type: none"> • Full implementation of all items on competitive checklist (see Table 1). • Full implementation of competitively neutral universal service mechanisms and TIC eliminated. • Credible and timely enforcement of pro-competitive rules. • Cost-based and non-discriminatory non-recurring charges. | <ul style="list-style-type: none"> • Geographic deaveraging of carrier access charges and SLC. • Term discounts (up to 3 years). • Differential pricing of carrier access services for traffic that originates from or terminates to residential, single-line business, or multi-line business customers. |
| Phase II-A: "Emerging Full-Service Competition" | <ul style="list-style-type: none"> • Competitive presence test -- availability of local telephone service from facilities-based competitors to a certain minimum percentage of both business and residential customers throughout the relevant geographic area | <ul style="list-style-type: none"> • Streamlined regulation of new services if cannot be substituted for existing services. • Term discounts for any length term. • Volume discounts with cost showing justifying both rate level of discounted offering and rate relationship to non-discounted offering. |
| Phase II-B: "Substantial Full-Service Competition" | <ul style="list-style-type: none"> • General market conditions that the Commission found before streamlining AT&T's regulation in 1991. • Herfindahl-Hirshman Index level for the particular local market that is at least as low as that in the long-distance service markets for which AT&T's regulation was streamlined in 1991. | <ul style="list-style-type: none"> • Volume discounts with less justification required. • Contract tariffs and competitive response tariffs. • Streamlined regulation of "new" services that can be substituted for existing services. • Elimination of separate baskets, service categories, and rate structure rules for trunking and local switching. |
| Absence of Potential Competition | <ul style="list-style-type: none"> • Conditions for Phase I not satisfied by Jan. 1, 1999. | <ul style="list-style-type: none"> • Prescription of all access charges at forward-looking economic cost. |